

**TRINIDAD NITROGEN CO. LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

(Expressed in Trinidad and Tobago Dollars)

Ernst & Young Services Limited



TRINIDAD NITROGEN CO. LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
TRINIDAD NITROGEN CO. LIMITED

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Trinidad Nitrogen Co. Limited. ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of income/(loss), statement of comprehensive income/(loss), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' ("IESBA") International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRINIDAD NITROGEN CO. LIMITED

### Report on the Audit of the Financial Statements

(Continued)

### Auditor's Responsibilities for the Audit of the Financial Statements

(Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Port of Spain  
TRINIDAD:  
6 December 2022

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021  
(Expressed in Trinidad and Tobago Dollars)

	Notes	2021 \$'000	2020 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	939,098	983,101
Pension asset	6 (a)	771	564
Amounts due from related party	9(c)	91,846	–
Deferred tax asset	13 (a)	<u>48,261</u>	<u>118,611</u>
		<u>1,079,976</u>	<u>1,102,276</u>
<b>Current assets</b>			
Inventories	7	271,931	182,844
Prepayments and other receivables	8	104,594	55,295
Amounts due from related companies			
Trade	9(a)	415,364	–
Other	9 (a & c)	445,792	92,574
Income tax recoverable		50,978	120,256
Cash and cash equivalents	11	<u>26,161</u>	<u>1,197</u>
		<u>1,314,820</u>	<u>452,166</u>
<b>Total assets</b>		<u>2,394,796</u>	<u>1,554,442</u>

The accompanying notes form an integral part of these financial statements.

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Expressed in Trinidad and Tobago Dollars)


(Continued)

	Notes	2021 \$'000	2020 \$'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	12	156,150	156,150
Retained earnings		1,359,498	406,498
Translation difference reserves		<u>57,818</u>	<u>56,878</u>
		<u>1,573,466</u>	<u>619,526</u>
<b>Non-current liabilities</b>			
Pension liability	6 (a)	49,279	98,884
Post retirement healthcare liability	6 (a)	53,724	48,241
Amounts due to related party	9(a)	16,537	–
Long term loan	10 (a) & (d)	–	102,363
Deferred tax liability	13 (a)	<u>139,262</u>	<u>145,931</u>
		<u>258,802</u>	<u>395,419</u>
<b>Current liabilities</b>			
Trade and other payables	10 (a)	81,089	85,648
Short term loan	10 (a) & (d)	102,789	312,993
Amounts due to related companies			
Trade	9 (b)	230,897	112,432
Other	9 (a)	86,188	28,424
Taxation payable		<u>61,565</u>	<u>–</u>
		<u>562,528</u>	<u>539,497</u>
<b>Total liabilities</b>		<u>821,330</u>	<u>934,916</u>
<b>Total equity and liabilities</b>		<u>2,394,796</u>	<u>1,554,442</u>

The accompanying notes form an integral part of these financial statements.

On 6<sup>th</sup> December 2022, the Company's Board of Directors authorised these financial statements for issue.

Director



Director



TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF INCOME/(LOSS)  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in Trinidad and Tobago Dollars)

	Notes	2021 \$'000	2020 \$'000
<b>Revenue from contracts with customers</b>	9 (a)	3,246,041	1,098,878
Revenue from third party	9 (d)	2,636	-
Direct selling costs		<u>(132,014)</u>	<u>(46,237)</u>
<b>Net revenue</b>		3,116,663	1,052,641
Cost of products sold and operating expenses	14	<u>(1,971,372)</u>	<u>(1,240,492)</u>
<b>Operating profit/(loss)</b>		1,145,291	(187,851)
Other income		200,598	-
Finance cost -net	15	<u>(7,161)</u>	<u>(14,851)</u>
<b>Profit/(loss) before tax</b>		1,338,728	(202,702)
Income tax expense/(credit)	13 (b) & (c)	<u>(405,259)</u>	<u>63,114</u>
<b>Profit/(loss) for the year</b>		<u>933,469</u>	<u>(139,588)</u>

The accompanying notes form an integral part of these financial statements.

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF COMPREHENSIVE INCOME/(LOSS)  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in Trinidad and Tobago Dollars)

	Notes	2021 \$'000	2020 \$'000
<b>Profit/(loss) for the year</b>		<u>933,469</u>	<u>(139,588)</u>
<b>Other comprehensive income</b>			
<i>Items that will not be re-classified subsequently to profit or loss</i>			
Translation difference		940	(266)
Remeasurement gains on retirement benefits	6 (a)	30,048	1,741
Income tax effect	13 (a)	<u>(10,517)</u>	<u>(605)</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>20,471</u>	<u>870</u>
<b>Total comprehensive income/(loss) for the year, net of tax</b>		<u>953,940</u>	<u>(138,718)</u>

The accompanying notes form an integral part of these financial statements.



TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in Trinidad and Tobago Dollars)

	Share capital \$'000	Retained earnings \$'000	Translation difference reserves \$'000	Total \$'000
<b>At 1 January 2020</b>	156,150	544,950	57,144	758,244
Loss for the year	—	(139,588)	—	(139,588)
Other comprehensive income for the year	—	1,136	(266)	870
Net comprehensive loss for the year	—	(138,452)	(266)	(138,718)
<b>At 31 December 2020</b>	<u>156,150</u>	<u>406,498</u>	<u>56,878</u>	<u>619,526</u>
<b>At 1 January 2021</b>	156,150	406,498	56,878	619,526
Profit for the year	—	933,469	—	933,469
Other comprehensive income for the year	—	19,531	940	20,471
Net comprehensive loss for the year	—	953,000	940	953,940
<b>At 31 December 2021</b>	<u>156,150</u>	<u>1,359,498</u>	<u>57,818</u>	<u>1,573,466</u>

The accompanying notes form an integral part of these financial statements.

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in Trinidad and Tobago Dollars)

	Notes	2021 \$'000	2020 \$'000
<b>Operating activities</b>			
Profit/(loss) before tax		1,338,728	(202,702)
<b>Non-cash adjustments to reconcile profit/(loss) before tax to net cash flows:</b>			
Depreciation	5	152,843	177,890
Loss on disposal of property, plant and equipment		60	20
Movement in the pension and post retirement liabilities		<u>(14,281)</u>	<u>(4,592)</u>
		1,477,350	(29,384)
<b>Net changes in operating assets and liabilities:</b>			
Increase in inventory		(89,087)	(7,556)
Increase in prepayments and other receivables		(49,299)	(7,251)
(Increase)/decrease in amounts due from related companies		(860,428)	82,742
Decrease in trade and other payables		(4,559)	(10,392)
Increase in amounts due to related companies		<u>192,766</u>	<u>3,293</u>
<b>Net cash flows generated from operations</b>		666,743	31,452
Net income tax paid		<u>(221,250)</u>	<u>(6,569)</u>
<b>Net cash flows generated from operating activities</b>		<u>445,493</u>	<u>24,883</u>
<b>Investing activity</b>			
Purchase of property, plant and equipment	5	<u>(108,173)</u>	<u>(105,558)</u>
<b>Net cash flows used in investing activity</b>		<u>(108,173)</u>	<u>(105,558)</u>
<b>Financing activity</b>			
(Repayments of)/proceeds from loans		<u>(312,567)</u>	<u>80,834</u>
<b>Net cash flows (used in)/generated from financing activity</b>		<u>(312,567)</u>	<u>80,834</u>
<b>Increase in cash and cash equivalents</b>		24,753	159
Net foreign exchange difference		211	(221)
<b>Cash and cash equivalents at 1 January</b>		<u>1,197</u>	<u>1,259</u>
<b>Cash and cash equivalents at 31 December</b>	11	<u>26,161</u>	<u>1,197</u>

The accompanying notes form an integral part of these financial statements.

## TRINIDAD NITROGEN CO. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

#### **1. Incorporation and principal activity**

Trinidad Nitrogen Co. Limited (the Company) is a limited liability company domiciled and incorporated in the Republic of Trinidad and Tobago on 28 June 1974. The registered office is located at Savonetta, Trinidad.

The Company was continued under the provisions of The Companies Act, 1995 on 9 October 1998. It is owned by National Enterprises Limited (51%) and Yara Caribbean (2002) Ltd (49%), both of which are incorporated in the Republic of Trinidad and Tobago. Yara Caribbean (2002) Ltd's ultimate parent company is Yara International ASA (incorporated in Oslo), which was established as a result of the demerger of the Agri Division of Norsk Hydro ASA in 2004.

The Company manufactures anhydrous ammonia in two independent production plants known as Tringen I and Tringen II. All production from Tringen I and II are sold through Sales Agency Agreements, with a related party, on the open market.

The Company is managed and operated by Yara Trinidad Ltd., a wholly owned subsidiary of Yara Caribbean (2002) Ltd under the terms of a Management and Operating Agreement dated 6 May 1976, as amended. The Agreement was expired on 31 December 2018 and renewed for a further five (5) year period beginning on 1 January 2019. Effective 1 January 2021 the Company agreed to amend the terms of the Agreement, whereby the Company reimburses Yara Trinidad Ltd. for all direct costs and 90% (2020: 66.67%) of the total indirect costs incurred in carrying out its obligations. This Agreement also allows Yara Trinidad Ltd. to provide the services of its employees as it deems necessary for the management and operations of the Company. The net reimbursements amounted to approximately \$211,266,000 in 2021 (2020: \$154,405,000) (Note 9 a).

The Company has also entered into agreements with various agencies of the Government of the Republic of Trinidad and Tobago for the supply of natural gas, electricity and water.

#### **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **2.1 Basis of preparation**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in Trinidad and Tobago Dollars)  
(Continued)

**2. Summary of significant accounting policies (continued)**

**2.2 Foreign currency translation**

**(a) Functional and presentation currency**

The Company's functional currency is the United States dollar, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company. The financial statements prepared in the Company's functional currency have been authorised for issue on 7 April 2022.

These financial statements are presented in Trinidad and Tobago dollars (the presentation currency) on the following basis:

- (i) Assets and liabilities have been translated at the rate prevailing at the end of the reporting period of US\$1.00 = TT\$6.72800 (2020 = TT\$6.7228).
- (ii) Income and expense items have been translated at US\$1.00 = TT\$6.7245 (2020 = TT\$6.7228). This rate approximates the actual exchange rates at the dates of the transactions.
- (iii) Exchange differences arising from translation have been recognized in other comprehensive income/(loss) and are shown as a separate component of equity.

The amounts in the financial statements have been rounded off to the nearest thousand (\$'000) except when otherwise indicated.

**(b) Transactions and balances**

Transactions in foreign currencies are initially translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses arising on the settlement of such transactions and on translating monetary assets and liabilities denominated in foreign currencies at the rates prevailing at the end of the reporting period are recognised in the statement of income/(loss).

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in Trinidad and Tobago Dollars)  
(Continued)

2. **Summary of significant accounting policies (continued)**

2.3 **Property, plant and equipment**

(a) **Property, plant and equipment in service**

All property, plant and equipment are stated at historical cost less accumulated depreciation, with the exception of land. Historical cost includes expenditure that is directly attributable to the acquisition of the items of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of income/(loss) during the financial period in which they are incurred.

Property, plant and equipment are depreciated on the straight-line basis at rates estimated to write-off the costs of the assets over their useful lives.

Turnaround costs comprise costs incurred on planned major maintenance projects. These are currently performed every four years in Tringen I and every four years in Tringen II. These costs are capitalised when incurred and are amortised over the anticipated period until the next scheduled turnaround.

The estimated useful lives of the assets are as follows:

Buildings	-	20 years
Plant and machinery	-	5 to 15 years
Catalysts	-	2 to 9 years
Turnaround costs	-	4 years

Land is measured at cost and not depreciated as it is deemed to have an indefinite useful life.

The assets' residual value, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to be gained from its continued use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income/(loss) in the year the asset is derecognized.

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in Trinidad and Tobago Dollars)  
(Continued)

**2. Summary of significant accounting policies (continued)**

**2.3 Property, plant and equipment (continued)**

**(b) Projects under construction**

Property, plant and equipment under construction are recorded as projects under construction (PUC) until they are ready for their intended use. Thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. The cost of PUC includes allocation of labour and overhead which are directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management in accordance with IAS 16 *Property, Plant and Equipment*. The total additions to PUC for the year amounted to \$80,992,000 (2020: \$82,915,000) (Note 5).

**2.4 Inventories**

**i) Finished goods**

Finished goods are stated at the lower of cost and net realisable value. Cost of finished goods comprises direct production costs and a proportion of attributable production overheads. Cost is determined using the first in, first out (FIFO) method.

**ii) Consumable spares and supplies**

Consumable spares and supplies are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method.

**iii) Catalysts**

Catalysts not yet installed are valued at the lower of cost and net realisable value.

**2.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term highly liquid investments, with original maturities of three months or less.

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in Trinidad and Tobago Dollars)  
(Continued)

**2. Summary of significant accounting policies (continued)**

**2.6 Trade receivables**

Trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of sale. The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognised in the statement of income/(loss). When an account receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the statement of income/(loss).

**2.7 Trade and other payables**

Liabilities for trade and other amounts which are normally settled on 30 - 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**2.8 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a finance cost.

**2.9 Taxation**

*Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in Trinidad and Tobago Dollars)  
(Continued)

**2. Summary of significant accounting policies (continued)**

**2.9 Taxation (continued)**

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The principal temporary differences arise from depreciation on property, plant and equipment, other provisions including those for pension and other post-retirement benefits, vacation benefits, inventory obsolescence and taxable losses.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax relating to items recognized directly in other comprehensive income is recognized directly in other comprehensive income.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

**2.10 Employee benefits**

The Company shares with Yara Trinidad Ltd. the costs associated with operating a defined benefit pension plan (The Hydro Agri Trinidad Ltd. Pension Plan), and a post-retirement healthcare plan (Yara Trinidad Ltd. Post-Retirement Healthcare Plan).

The allocation of costs, liabilities and benefits between the Company and Yara Trinidad Ltd. is based on the following:

1. Retirees and deferred pensioners before 31 December 2000: Amounts were allocated equally between the companies.
2. After 31 December 2000: Actual costs are allocated for individual active members, retirees and deferred pensioners.



TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

**2. Summary of significant accounting policies (continued)**

**2.10 Employee benefits (continued)**

Contributions to the plan were allocated in the ratio of salaries between the Company and Yara Trinidad Ltd.

The pension plan is administered by independent Trustees and the post-retirement healthcare plan by an independent insurance company.

A defined benefit pension plan is a plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation upon retirement.

The pension plan is funded by payments from employees and the Company, taking account of the recommendations of independent qualified actuaries. The post-retirement healthcare plan is unfunded.

The costs of providing benefits under the plans are determined separately for each plan using the projected unit credit actuarial valuation method. Under this method, the cost of providing benefits is charged to the statement of income/(loss) so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who carry out a full valuation of the plans every three years. Roll forward valuations, which are less detailed than full valuations, are performed annually.

The benefit obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses for both defined benefit plans are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

Vested past service cost is recognized immediately in the statement of income/(loss).

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in Trinidad and Tobago Dollars)  
(Continued)

**2. Summary of significant accounting policies (continued)**

**2.11 Revenue from contracts with customers**

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for goods. The Company has concluded that it is the principal in its revenue arrangement, because it typically controls the goods before transferring to the customer.

All ammonia sales are made to a related party. Revenue is recognised on a Free On Board (F.O.B.) basis on all sales upon completion of loading of the shipping vessel as evidenced by the bill of lading, with a subsequent adjustment based on the actual prices realised by the related party on sales to the final customers, in accordance with contractual obligations.

**2.12 Dividends**

Dividends are recorded in the Company's financial statements in the period in which they are declared by the Board of Directors.

**2.13 Financial instruments**

Financial instruments carried on the statement of financial position include cash and cash equivalents, prepayments and other receivables, amounts due from/to related companies, trade and other payables and loans. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**2.14 Share capital**

Ordinary shares with entitlement to discretionary dividends are classified as equity.

**2.15 Impairment of property, plant and equipment**

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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NOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in Trinidad and Tobago Dollars)  
(Continued)

**2. Summary of significant accounting policies (continued)**

**2.16 Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**2.17 Loans**

Loans are recognised initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the separate statement of comprehensive income/(loss), over the period of the loans using the effective interest method. Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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**2. Summary of significant accounting policies (continued)**

**2.18 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**2.19 Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cashflows.

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**2. Summary of significant accounting policies (continued)**

**2.20 Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**i) Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to note 2.15 for details of the Company's impairment accounting policy.

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**2. Summary of significant accounting policies (continued)**

**2.20 Leases (continued)**

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the remaining lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of all office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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2. **Summary of significant accounting policies** (continued)

2.21 **Changes in accounting policies and disclosures**

(a) **New and amended standards and interpretations**

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

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2. **Summary of significant accounting policies** (continued)

2.21 **Changes in accounting policies and disclosures** (continued)

(a) **New and amended standards and interpretations** (continued)

**COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16**

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.



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**2. Summary of significant accounting policies (continued)**

**2.21 Changes in accounting policies and disclosures (continued)**

**(b) Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Reference to the Conceptual Framework - Amendments to IFRS 3 – Effective 1 Jan 2022
- Property, Plant and Equipment: Proceeds before Intended use - Amendments to IAS 16 – Effective 1 Jan 2022
- Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37 – Effective 1 Jan 2022
- Annual Improvement Process (AIP) IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter – Effective 1 Jan 2022
- AIP IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities – Effective 1 Jan 2022
- AIP IAS 41 Agriculture - Taxation in fair value measurements – Effective 1 Jan 2022
- IFRS 17 Insurance Contracts – Effective 1 Jan 2023
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 – Effective 1 Jan 2023
- Definition of Accounting Estimates - Amendments to IAS 8 – Effective 1 Jan 2023
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 – Effective 1 Jan 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 – Effective 1 Jan 2023

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**3. Financial risk management policies and objectives**

**3.1 Financial risk factors**

*Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and short-term investments, and/or the availability of funding from an adequate amount of credit facilities in order to meet operational needs.

**3.2 Capital risk management**

Capital includes equity attributable to the owners of the Company.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

**4. Significant accounting estimates, judgements and assumptions**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. These estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The accounting policies applied by the Company in which judgements, estimates and assumptions may significantly differ from actual results are discussed below:

**a) Income taxes**

Some judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business

**b) Provision for spares inventory obsolescence**

Some judgement is required in determining the Company's provision for obsolescence on its spares inventories. A combination of factors are considered such as the aging and movement of the underlying inventories, the results of technical reviews conducted by in-house personnel, the expected replacement of items based on planned maintenance programmes and industry/market conditions.

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**4. Significant accounting estimates, judgements and assumptions (continued)**

**c) Employee benefits**

The cost of providing benefits under the defined benefit pension plan and the post-retirement healthcare plan are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at the end of each reporting period.

**d) Useful life of property, plant and equipment**

Management exercises judgment in determining the useful lives of all categories of property, plant and equipment and the appropriate method of depreciation.

**e) Impairment of property, plant and equipment**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

**f) Determining the lease term of contracts with renewal and termination options - Company as lessee**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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**4. Significant accounting estimates, judgements and assumptions (continued)**

**g) Leases - Estimating the incremental borrowing rate**

Where the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

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5. Property, plant and equipment	Land and buildings \$'000	Plant and machinery \$'000	Catalysts \$'000	Turnaround costs \$'000	Projects under construction \$'000	Total \$'000
<b>Net book value</b>						
At 1 January 2021	3,139	635,606	34,634	92,166	217,556	983,101
Translation adjustment	3	479	22	61	162	727
Additions	-	24,909	2,272	-	80,992	108,173
Transfers	-	33,453	10,098	-	(43,551)	-
Cost of disposed assets	-	(7,604)	(13,707)	-	-	(21,311)
Depreciation (Note 14)	(846)	(113,953)	(12,608)	(25,436)	-	(152,843)
Accumulated depreciation of disposed assets	-	7,589	13,662	-	-	21,251
At 31 December 2021	<u>2,296</u>	<u>580,479</u>	<u>34,373</u>	<u>66,791</u>	<u>255,159</u>	<u>939,098</u>
<b>At 31 December 2021</b>						
Cost	78,556	3,516,835	105,890	311,049	255,159	4,267,489
Accumulated depreciation	<u>(76,260)</u>	<u>(2,936,356)</u>	<u>(71,517)</u>	<u>(244,258)</u>	-	<u>(3,328,391)</u>
Net book value	<u>2,296</u>	<u>580,479</u>	<u>34,373</u>	<u>66,791</u>	<u>255,159</u>	<u>939,098</u>
<b>Net book value</b>						
At 1 January 2020	4,050	677,238	48,147	129,162	197,245	1,055,842
Translation adjustment	(3)	(256)	(17)	(40)	(73)	(389)
Additions	-	22,643	-	-	82,915	105,558
Transfers	-	61,916	615	-	(62,531)	-
Cost of disposed assets	-	(11,120)	-	(1,096)	-	(12,216)
Depreciation (Note 14)	(908)	(125,935)	(14,111)	(36,936)	-	(177,890)
Accumulated depreciation of disposed assets	-	11,120	-	1,076	-	12,196
At 31 December 2020	<u>3,139</u>	<u>635,606</u>	<u>34,634</u>	<u>92,166</u>	<u>217,556</u>	<u>983,101</u>
<b>At 31 December 2020</b>						
Cost	78,942	3,549,134	107,507	311,673	217,556	4,264,812
Accumulated depreciation	<u>(75,803)</u>	<u>(2,913,528)</u>	<u>(72,873)</u>	<u>(219,507)</u>	-	<u>(3,281,711)</u>
Net book value	<u>3,139</u>	<u>635,606</u>	<u>34,634</u>	<u>92,166</u>	<u>217,556</u>	<u>983,101</u>

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**6. Employee benefits**

As discussed in Note 2.10, the Company accounts for its share of the assets, liabilities, benefits and expenses of the Hydro Agri Trinidad Ltd. Pension Plan and Yara Trinidad Ltd. Post-Retirement Healthcare Plan. The Company's involvement in these plans is disclosed in Note 6 (a) and the results of the entire plans are shown in Note 6 (b). This arrangement is considered a related party transaction.

The Company also recognised in 2018 a Trinidad Nitrogen Co. Limited (Tringen) defined benefit pension plan with plan assets of \$318,000. This plan is separate from the Hydro Agri Trinidad Ltd Pension Plan. This pension plan is specific to the six (6) employees, employed directly with Tringen. The Company's involvement in this plan is disclosed in Note 6 (a).

An independent actuarial valuation of this plan as at 31 December 2020 revealed an ongoing deficit of \$104.7 million in respect of the Company and Yara Trinidad Ltd. at the valuation date. It was recommended that the employer's contributions be at the rate of 20% of pensionable salary until the next valuation date.

(a) Pension plan/post-retirement healthcare plan	2021			2020		
	Hydro Pension plan \$'000	Tringen Pension plan \$'000	Yara Post retirement healthcare plan \$'000	Hydro Pension plan \$'000	Tringen Pension plan \$'000	Yara Post retirement healthcare plan \$'000
Amounts recognised in the statement of financial position						
Present value of defined benefit obligation	554,019	8,496	-	490,024	9,068	-
Fair value of plan assets	(504,740)	(9,267)	-	(391,140)	(9,632)	-
Present value of unfunded obligation	-	-	53,724	-	-	48,241
<b>Benefit (asset)/liability in the statement of financial position</b>	<u>49,279</u>	<u>(771)</u>	<u>53,724</u>	<u>98,884</u>	<u>(564)</u>	<u>48,241</u>

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6. Employee benefits (continued)

(a) Pension plan/post-retirement healthcare plan (continued)

	2021			2020		
	Hydro Pension plan \$'000	Tringen Pension plan \$'000	Yara Post-retirement healthcare plan \$'000	Hydro Pension plan \$'000	Tringen Pension plan \$'000	Yara Post-retirement healthcare plan \$'000
<b>Movement in the present value of the defined benefit obligation during the year</b>						
Defined benefit obligation at 1 January	490,024	9,068	48,241	501,937	8,832	48,148
Interest cost	26,209	479	2,618	25,067	454	2,517
Current service cost – employer	5,200	246	1,187	7,445	287	1,120
Current service cost – employee	4,157	90	–	3,571	75	–
Past Service Cost	1,835	–	–	–	–	–
Benefit payments	(28,062)	(1,081)	(1,769)	(23,203)	(224)	(1,699)
Actuarial gains on obligation:						
- financial assumption changes	(28,907)	(640)	(3,617)	(15,040)	(106)	–
- demographic assumption changes	–	–	–	17,587	–	–
- obligation – experience	<u>83,563</u>	–	<u>7,064</u>	<u>(27,340)</u>	<u>(250)</u>	<u>(1,845)</u>
Defined benefit obligation at 31 December	<u>554,019</u>	<u>8,496</u>	<u>53,724</u>	<u>490,024</u>	<u>9,068</u>	<u>48,241</u>

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6. Employee benefits (continued)

(a) Pension plan/post-retirement healthcare plan (continued)

	2021			2020		
	Hydro Pension plan \$'000	Tringen Pension plan \$'000	Yara Post-retirement healthcare plan \$'000	Hydro Pension plan \$'000	Tringen Pension plan \$'000	Yara Post-retirement healthcare plan \$'000
<b>Movements in the fair value of plan assets during the year</b>						
Fair value of plan assets at 1 January	391,140	9,632	-	396,631	9,172	-
Expected return on plan assets	21,239	501	-	19,402	461	-
Actuarial gain/(loss) on assets	88,003	(158)	-	(25,165)	(88)	-
Employer contributions	28,263	283	-	19,903	236	-
Employee contributions	4,157	90	-	3,571	75	-
Benefit payments	<u>(28,062)</u>	<u>(1,081)</u>	-	<u>(23,202)</u>	<u>(224)</u>	-
<b>Fair value of plan assets at 31 December</b>	<u>504,740</u>	<u>9,267</u>	-	<u>391,140</u>	<u>9,632</u>	-



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6. Employee benefits (continued)

(a) Pension plan/post-retirement healthcare plan (continued)

	2021			2020		
	Hydro Pension plan \$'000	Tringen Pension plan \$'000	Yara Post-retirement healthcare plan \$'000	Hydro Pension plan \$'000	Tringen Pension plan \$'000	Yara Post-retirement healthcare plan \$'000
<b>Amounts recognised in the statement of income/(loss)</b>						
Current service cost	5,200	246	1,187	7,445	287	1,120
Interest cost on benefit obligation	4,970	(22)	2,618	5,239	(7)	2,517
Past Service Cost	<u>1,835</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net benefit expense	<u>12,005</u>	<u>224</u>	<u>3,805</u>	<u>12,684</u>	<u>280</u>	<u>3,637</u>
Actual return on plan assets	<u>109,242</u>	<u>343</u>	<u>—</u>	<u>(5,763)</u>	<u>373</u>	<u>—</u>

The total net charge to the statement of income/(loss) of \$16,033,000 (2020: \$16,601,000) was included in the cost of products sold and operating expenses as labour cost.

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6. **Employee benefits** (continued)

(a) **Pension plan/post-retirement healthcare plan** (continued)

As mentioned in Note 2.10, actuarial gains or losses are recognized in full in the period in which they occur through the statement of other comprehensive income/(loss). They are recognized immediately in retained earnings as they are not permitted to be reclassified to profit or loss in a subsequent period. The cumulative actuarial losses recognized in equity (net of tax) as at 31 December 2021 amounted to \$98,372,000 (2020: \$118,079,000).

The principal actuarial assumptions used in determining the pension and post-retirement healthcare benefit obligation for the Company's plans were:

	2021	2020
Discount rate – pension plan	5.8%	5.4%
Future salary increases	5.4%	5.4%
Discount rate – post-retirement healthcare plan	5.8%	5.4%
Healthcare costs increases	5.0%	5.0%

The overall expected rate of return on the plan assets is determined based on the market expectations prevailing, applicable to the period over which the obligation is to be settled. This is reflected on the assumptions above.

The major categories of pension plan assets, as a percentage of the fair value of the total pension plan assets are as follows:

	2021		2020	
	\$'000	%	\$'000	%
Bank deposits	74,837	15	36,369	9
Equity instruments	151,591	30	100,043	26
Debt instruments	274,944	54	248,973	64
Other assets	<u>3,368</u>	<u>1</u>	<u>5,755</u>	<u>1</u>
	<u>504,740</u>	<u>100</u>	<u>391,140</u>	<u>100</u>

The plan assets do not include any of the Company's financial instruments, nor any property controlled, or other assets used by the Company. The above relates to the Hydro Agri Pension Plan.

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6. **Employee benefits (continued)**

(a) **Pension plan/post-retirement healthcare plan (continued)**

A quantitative sensitivity analysis for significant assumptions as at 31 December 2021 is as shown below:

Assumptions	Sensitivity level	Impact on		
		Hydro Pension plan \$'000	Tringen Pension plan \$'000	Yara Post retirement healthcare plan \$'000
Discount rate	+0.5%/-0.5%	32,452/(36,153)	711/(810)	(3,506)/4,899
Future salary rate	+0.5%/-0.5%	(11,203)/10,548	(455)/417	–
Healthcare cost	+0.5%/-0.5%	–	–	5,155/(3,796)
Pension rate	+0.5%/-0.5%	(23,541)	(334)	–

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The best estimate of expected pension plan contributions and post-retirement healthcare premiums to be paid by the Company for the period 1 January 2022 to 31 December 2022 amounts to approximately \$24,351,000 and \$1,951,000 respectively.

The weighted average duration of the pension liability at 31 December 2021 is 15 years (2020: 15 years) and 15 years (2020: 15 years) for other post-retirement healthcare plan.

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6. **Employee benefits (continued)**

(b) **Pension plan/post-retirement healthcare plan – combined plan**

As discussed in Note 2.10, the Company accounts for its share of the assets, liabilities, benefits and expenses of the Hydro Agri Trinidad Ltd. Pension Plan and Yara Trinidad Ltd. Post-Retirement Healthcare Plan the results of the entire plans are shown in Note 6 (b) and the Company's involvement in these plans is disclosed in Note 6 (a).

	2021		2020	
	Hydro Pension plan \$'000	Yara Post-retirement healthcare plan \$'000	Hydro Pension plan \$'000	Yara Post-retirement healthcare plan \$'000
Present value of defined benefit obligation	755,449	–	783,097	–
Fair value of plan assets	(688,253)	–	(625,073)	–
Present value of unfunded obligation	<u>–</u>	<u>72,025</u>	<u>–</u>	<u>73,835</u>
	<u>67,196</u>	<u>72,025</u>	<u>158,024</u>	<u>73,835</u>

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

6. Employee benefits (continued)

(b) Pension plan/post-retirement healthcare plan – combined plan (continued)

	2021		2020	
	Hydro Pension plan \$'000	Yara Post- retirement healthcare plan \$'000	Hydro Pension plan \$'000	Yara Post- retirement healthcare plan \$'000
<b>Movement in the present value defined benefit obligation during the year</b>				
Defined benefit obligation at 1 January	783,097	73,835	803,996	75,159
Interest cost	41,838	3,979	40,111	3,930
Current service cost – employer	9,877	1,334	11,941	1,697
Current service cost – employee	4,619	–	5,356	–
Past Service Cost	2,737	–	–	–
Benefit payments	(45,640)	(2,843)	(38,135)	(2,551)
Actuarial loss on obligation:				
- financial assumption changes	(36,354)	(4,528)	(24,129)	–
- demographic assumption changes	–	–	27,202	–
- obligation experience	(4,725)	248	(43,245)	(4,400)
<b>Defined benefit obligation at 31 December</b>	<u>755,449</u>	<u>72,025</u>	<u>783,097</u>	<u>73,835</u>
<b>Movements in the fair value of plan assets during the year</b>				
Fair value of plan assets at 1 January	625,073	–	635,318	–
Expected return on plan assets	33,494	–	31,676	–
Actuarial losses on assets	39,304	–	(38,996)	–
Employer contributions	31,403	–	29,854	–
Employee contributions	4,619	–	5,356	–
Benefit payments	(45,640)	–	(38,135)	–
<b>Fair value of plan assets at 31 December</b>	<u>688,253</u>	<u>–</u>	<u>625,073</u>	<u>–</u>

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6. Employee benefits (continued)

(b) Pension plan/post-retirement healthcare plan – combined plan (continued)

	2021		2020	
	Hydro Pension plan \$'000	Yara Post-retirement healthcare plan \$'000	Hydro Pension plan \$'000	Yara Post-retirement healthcare plan \$'000
<b>Amounts recognised in the statement of (loss)/income</b>				
Current service cost	12,614	1,334	11,941	1,697
Net interest cost on benefit Obligation	<u>8,344</u>	<u>3,979</u>	<u>8,435</u>	<u>3,930</u>
Net benefit expense	<u>20,958</u>	<u>5,313</u>	<u>20,376</u>	<u>5,627</u>
Actual return on plan assets	<u>72,798</u>	<u>—</u>	<u>(7,320)</u>	<u>—</u>

The major categories of plan assets, as a percentage of the fair value of the total plan assets are as follows:

	2021		2020	
	\$'000	%	\$'000	%
Bank deposits	102,046	15	58,121	9
Equity instruments	206,706	30	159,877	26
Debt instruments	374,908	54	397,879	64
Other assets	<u>4,593</u>	<u>1</u>	<u>9,196</u>	<u>1</u>
	<u>688,253</u>	<u>100</u>	<u>625,073</u>	<u>100</u>

The plan assets do not include any of the financial instruments of the Company and Yara Trinidad Ltd., nor any property controlled, or other assets used by the Company and Yara Trinidad Ltd.

The overall expected rate of return on the plan assets is determined based on the market expectations prevailing, applicable to the period over which the obligation is to be settled. This is reflected on the assumptions above.

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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6. Employee benefits (continued)

(b) Pension plan/post-retirement healthcare plan – combined plan (continued)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2021 is as shown below:

Assumptions	Sensitivity level	Impact on	
		Hydro Pension plan \$'000	Yara Post-retirement healthcare plan \$'000
Discount rate	+0.5%/-0.5%	40,976/(45,453)	(4,433)/5,941
Future salary rate	+0.5%/-0.5%	(12,202)/11,498	
Healthcare cost increases	+0.5%/-0.5%		6,327/(4,861)
Pension rate	+0.5%/-0.5%	(31,608)	

The best estimate of expected pension plan contributions and post-retirement healthcare premiums to be paid by the Company and Yara Trinidad Ltd. for the period 1 January 2022 to 31 December 2022 amounts to approximately \$27,334,000 and \$3,134,000 respectively.

7. Inventories

	2021 \$'000	2020 \$'000
Finished products	139,640	45,635
Spare parts and supplies	162,272	166,480
Less: provision for obsolescence on spare parts	<u>(29,981)</u>	<u>(29,271)</u>
	<u>271,931</u>	<u>182,844</u>

8. Prepayment and other receivables

VAT recoverable	78,866	43,275
Prepayments	22,758	11,980
Trade and other receivables	<u>2,970</u>	<u>40</u>
	<u>104,594</u>	<u>55,295</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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9. Related party disclosures

Transactions with related parties are conducted at terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties nor has a provision been established (2020: Nil).

(a) Transactions with entities under Yara International ASA

	Sales to related parties \$'000	Purchases from related parties \$'000	Amounts due from related parties \$'000	Amounts due to related parties \$'000
Yara Switzerland (Note i)*				
2021	3,245,950	—	415,364	—
2020	1,098,771	—	—	—
Yara Trinidad Ltd. (Note ii)				
2021	—	—	659	101,476
2020	—	—	—	23,426
Yara Belgium SA				
2021	—	—	—	—
2020	—	—	—	50
Yara International ASA (Note iii)				
2021	—	3,651	356,880	1,249
2020	—	4,430	92,540	4,948
Yara Caribbean				
2021	91	—	—	—
2020	107	—	34	—
Yara Ammonia Inc				
2021	—	—	39	—
2020	—	—	—	—
<b>Total</b>				
2021	<u>3,246,041</u>	<u>3,651</u>	<u>772,942</u>	<u>102,725</u>
2020	<u>1,098,878</u>	<u>4,430</u>	<u>92,574</u>	<u>28,424</u>

\* Represents transactions of a trade nature.



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9. **Related party disclosures** (continued)

(a) **Transactions with entities under Yara International ASA** (continued)

*Note (i)*

The amounts due from this related party are due one month after the invoice date and are unsecured, interest free and settlement occurs in cash. The direct selling costs are not offset against revenue because the transactions are treated separate and distinct and the amounts are not offset upon settlement.

*Note (ii)*

Amounts due to Yara Trinidad Ltd., mainly arose from reimbursable costs paid by Yara Trinidad Ltd. on behalf of the Company and for services provided by Yara Trinidad Ltd.'s employees. Amounts due from Yara Trinidad Ltd. arose from reimbursable costs paid by the Company on behalf of Yara Trinidad Ltd. The net reimbursements amounted to \$211,266,000 in 2021 (2020: \$154,405,000).

*Note (iii)*

The amount due from a related party represents funds in a treasury system operated by the related company.

The Company does not have an overdraft facility with related party.

(b) **Transactions with Government-owned entities**

The National Enterprises Limited (NEL), the majority shareholder of the Company, is owned by the Government of the Republic of Trinidad and Tobago and as such, NEL, and its related subsidiaries, are related to other government-owned entities. The Company has entered into agreements with various agencies of the Government for the supply of natural gas, electricity and water.

	<b>Sales to related parties \$'000</b>	<b>Purchases from related parties \$'000</b>	<b>Amounts due from related parties \$'000</b>	<b>Amounts due to related parties \$'000</b>
The National Gas Company of Trinidad and Tobago ( <i>Note i</i> )*				
2021	—	1,580,392	—	226,429
2020	—	801,323	—	111,182

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(Continued)

9. Related party disclosures (continued)

(b) Transactions with Government-owned entities (continued)

	Sales to related parties \$'000	Purchases from related parties \$'000	Amounts due from related parties \$'000	Amounts due to related parties \$'000
The Water and Sewerage Authority*				
2021	—	18,055	—	2,106
2020	—	17,957	—	820
Trinidad and Tobago Electricity Commission *				
2021	—	18,600	—	2,362
2020	—	13,715	—	430
<b>Total</b>				
2021	—	<u>1,617,047</u>	—	<u>230,897</u>
2020	—	<u>832,995</u>	—	<u>112,432</u>

\* Represents transactions of a trade nature.

(c) Other related party transactions

In May 2021 the Company entered into multi-party settlement agreements with related parties, the terms of which are subject to a confidentiality provision. Under the terms of these agreements the Company received an initial lumpsum with the remaining balance due to be paid in quarterly payments. The future sums that remain due to the Company have been discounted at 4% as follows:

	2021	2020
Amount due >1 year	91,846	—
Amount due <1 year	<u>88,213</u>	—
Total	<u>180,059</u>	—

An amount of \$200,598,000 has been recorded in Other income relating to this settlement.

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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

9. **Related party disclosures** (continued)

(d) **Revenue from third party customers**

The Company began sales of carbon dioxide to third party customers in 2021. The details of the revenue earned from these transactions are shown below:

	<b>2021</b> <b>\$'000</b>	<b>2020</b> <b>\$'000</b>
Carbon dioxide	<u>2,636</u>	<u>—</u>

(e) **Transaction with owners**

There were no transactions with the shareholders of the Company for the years ended 31 December 2021 and 31 December 2020.

(f) **Key management compensation**

Compensation of key management personnel of the Company:

	<b>2021</b> <b>\$'000</b>	<b>2020</b> <b>\$'000</b>
Short-term employee benefits	11,665	10,669
Post-employment benefits	<u>930</u>	<u>1,284</u>
	<u>12,595</u>	<u>11,953</u>

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(Continued)

**10. Financial instruments**

**(a) Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

	<b>2021</b>	<b>2020</b>
<b>Financial assets</b>	<b>\$'000</b>	<b>\$'000</b>
Due from related companies		
Trade	415,364	–
Other	445,792	92,574
Cash and cash equivalents	<u>26,161</u>	<u>1,197</u>
<b>Total</b>	<b><u>887,317</u></b>	<b><u>93,771</u></b>
<b>Financial liabilities</b>		
Long term loan	–	102,363
Trade payable	58,560	57,991
Accrued liabilities	22,529	27,657
Short term loan	102,789	312,993
Amounts due to related companies		
Trade	230,897	112,432
Other	<u>102,725</u>	<u>28,424</u>
<b>Total</b>	<b><u>517,500</u></b>	<b><u>641,860</u></b>

**(b) Fair values of financial instruments**

The carrying amounts of the aforementioned financial instruments other than the long term loan approximate their fair values due to the short-term nature of the instruments.

TRINIDAD NITROGEN CO. LIMITED

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(Continued)

10. **Financial instruments** (continued)

(c) **Credit quality of financial assets**

**Trade and other receivables**

Trade receivables comprise of amounts due from related parties – trade and other trade receivables. Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2021, there was Nil trade receivables past due (2020: Nil). There has been no history of default from related parties.

The other receivables are due from related parties Yara Trinidad Ltd and other Yara companies (Note 9). There has been no history of default.

The aging analysis of trade receivables is as follows:	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Up to 3 months	<u>415,364</u>	<u>–</u>
The aging analysis of other receivables is as follows:		
Up to 3 months	379,183	92,540
3 months to 1 year	64,663	–
Over 1 year	<u>91,846</u>	<u>–</u>
	<u>535,692</u>	<u>92,540</u>
<b>Cash and cash equivalents</b>		
Group 1	1,085	1,056
Group 2	<u>25,076</u>	<u>141</u>
<b>Total</b>	<u>26,161</u>	<u>1,197</u>

Group 1 – Trinidad and Tobago based banking institutions. There has been no history of default.

Group 2 – Regional and international banking institutions. There has been no history of default.

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(Continued)

10. Financial instruments (continued)

(d) Borrowings	2021 \$'000	2020 \$'000
<b>Long term loan</b>		
Scotia Bank of (T&T) (SBTT) Non revolving (i)	-	140,063
Less: Short-term portion of Non revolving	<u>-</u>	<u>(37,350)</u>
		102,713
Less: Unamortised cost of borrowing	<u>-</u>	<u>(350)</u>
Net long term loan	<u><u>-</u></u>	<u>102,363</u>
<b>Short term loan</b>		
ANSA Merchant Bank Limited (ii)	-	168,078
SBTT Non Revolving (i)	102,789	37,350
SBTT Revolving (i)	<u>-</u>	<u>107,565</u>
Total	<u>102,789</u>	<u>312,993</u>

- i) In November 2016, SBTT made available to the Company US\$50,000,000 (TT\$336,275,000) loan to be apportioned between a non-revolving loan (US\$25,000,000 or TT\$168,137,500) and a revolving loan (US\$25,000,000 or TT\$168,137,500). No collateral is provided for this loan but interest is charged at a rate linked to LIBOR + margin. The non-revolving loan is due to be repaid in six equal semi-annual instalments beginning 30 months after the first draw down.

The Company incurred US\$461,012 (TT\$3,118,610) to secure this loan facility, 50% relating to the revolving portion was written off immediately. However, the other 50% is being written off over the life of the non-revolving portion - the balance was expensed as at 31 December 2021.

The loan agreement requires the Company to comply with certain financial covenants. Breaches in meeting the financial covenants would permit the bank to immediately call the loans and borrowings or provide a waiver or relaxation of these covenants. The Company received a relaxation/waiver of the covenants as well as a moratorium of the principal repayments of installments of the non-revolving loan for the fiscal period ending 31 December 2020 for the duration of the agreement. However, the semi-annual instalments has now increased to US\$2,778,000 (TT\$18,676,000). The loan is due to be repaid on 28 May 2022.

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(Continued)

10. **Financial instruments** (continued)

(d) **Borrowings** (continued)

- ii) In April 2015, the Company issued a one year revolving commercial paper facility in the amount of US\$25,000,000 (TT\$168,137,500) which attracts interest at a rate linked to three (3) months US\$ LIBOR. In 2021 the loan was renewed for one year to April 2022 and was repaid on 16 November 2021.

11. <b>Cash and cash equivalents</b>	<b>2020</b> <b>\$'000</b>	<b>2019</b> <b>\$'000</b>
Cash on hand and at banks	<u>26,161</u>	<u>1,197</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

12. **Share capital**

The authorised, issued and fully paid capital of the Company consists of: \$'000

Class "A" shares –no par value held by National Enterprises Limited

At 1 January 2021	306,000 shares	79,636
At 31 December 2021	306,000 shares	79,636

Class "B" shares – no par value held by Yara Caribbean (2002) Ltd.

At 1 January 2021	294,000 shares	76,514
At 31 December 2021	294,000 shares	76,514

At 1 January 2021 156,150

At 31 December 2021 156,150

There were no movements issued and/or fully paid share capital during the year.

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(Continued)

13. Taxation

a) Deferred tax

At 31 December 2021

	At 1 January 2021 \$'000	Recognized in other translation adjustment \$'000	(Charge)/ credit to comprehensive income \$'000	Statement of income/ (loss) \$'000	At 31 December 2021 \$'000
<b>Deferred tax liability</b>					
Accelerated tax depreciation	(145,736)	1,006	—	5,736	(138,994)
Pension asset	<u>(195)</u>	<u>—</u>	<u>(52)</u>	<u>(21)</u>	<u>(268)</u>
	<u>(145,931)</u>	<u>1,006</u>	<u>(52)</u>	<u>5,715</u>	<u>(139,262)</u>
<b>Deferred tax asset</b>					
Pension liability	34,609	1	(11,672)	(5,691)	17,247
Provision for vacation	3,563	(3)	—	216	3,776
Provision for inventory obsolescence	10,246	(2,315)	—	277	8,208
Accrued severance	61	(2)	—	—	59
Post retirement healthcare plan	17,042	10	1,207	712	18,971
Taxable losses	<u>53,090</u>	<u>304</u>	<u>—</u>	<u>(53,394)</u>	<u>—</u>
	<u>118,611</u>	<u>(2,005)</u>	<u>(10,465)</u>	<u>(57,880)</u>	<u>48,261</u>
Total charge	<u>—</u>	<u>(999)</u>	<u>(10,517)</u>	<u>(52,165)</u>	<u>—</u>



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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

13. **Taxation** (continued)

a) **Deferred tax** (continued)

At 31 December 2020

	At 1 January 2020 \$'000	Recognized in other translation adjustment \$'000	(Charge)/ credit to comprehensive income \$'000	Statement of income/ (loss) \$'000	At 31 December 2020 \$'000
<b>Deferred tax liability</b>					
Accelerated tax depreciation	(164,104)	68	–	18,300	(145,736)
Pension asset	<u>(114)</u>	<u>–</u>	<u>(94)</u>	<u>13</u>	<u>(195)</u>
	<u>(164,218)</u>	<u>68</u>	<u>(94)</u>	<u>18,313</u>	<u>(145,931)</u>
<b>Deferred tax asset</b>					
Pension liability	36,850	(16)	128	(2,353)	34,609
Provision for vacation	3,356	(1)	–	208	3,563
Provision for inventory obsolescence	9,644	(4)	–	606	10,246
Accrued severance	61	–	–	–	61
Post retirement healthcare plan	16,847	(6)	(639)	840	17,042
Taxable losses	<u>–</u>	<u>–</u>	<u>–</u>	<u>53,090</u>	<u>53,090</u>
	<u>66,758</u>	<u>(27)</u>	<u>(511)</u>	<u>52,391</u>	<u>118,611</u>
Total charge	<u>–</u>	<u>–</u>	<u>(605)</u>	<u>70,704</u>	<u>–</u>

b) <b>Details of income tax expense/(credit) are as follows:</b>	2021 \$'000	2020 \$'000
Current tax charge	353,094	7,590
Deferred tax charge/(credit) (Note 13 (a))	<u>52,165</u>	<u>(70,704)</u>
Income tax expense/(credit)	<u>405,259</u>	<u>(63,114)</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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13. Taxation (continued)

c) The effective tax rate varies from the statutory rate as a result of the differences shown below:	2021 \$'000	2020 \$'000
Profits/(loss) before tax	<u>1,338,728</u>	<u>(202,702)</u>
Corporation tax at statutory rate @ 35%	468,555	(70,946)
Business levy	-	6,703
Effect of disallowable expenses and tax allowances	(66,714)	20
Prior years adjustment to corporation tax	699	816
Other differences	<u>2,719</u>	<u>293</u>
Income tax expense/(credit)	<u>405,259</u>	<u>(63,114)</u>

14. Cost of products sold and operating expenses

Changes in inventory of finished goods	(96,224)	(7,329)
Raw materials and consumables used	1,642,971	852,364
Repairs and maintenance	34,060	31,344
Labour expenses (excluding storage and shipping and president's office expenses)	139,580	126,392
Green Fund Levy	9,989	
Depreciation (Note 5)	152,843	177,890
Insurance costs	22,101	17,147
Other operating expenses	<u>42,741</u>	<u>26,556</u>
Cost of sales - ammonia	1,948,061	1,224,364
Storage and shipping expenses	19,826	13,260
President's office expenses	<u>3,485</u>	<u>2,868</u>
Total production costs and operating expenses	<u>1,971,372</u>	<u>1,240,492</u>

15. Finance cost - net

Interest income	4,995	4,262
Interest expense	<u>(12,156)</u>	<u>(19,113)</u>
Total finance cost - net	<u>(7,161)</u>	<u>(14,851)</u>

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(Continued)

**16. Commitments and contingencies**

**a) Purchasing commitments**

The Company has purchase commitments for electricity, water, nitrogen and natural gas in accordance with contractual obligations, for varying periods ranging up to 15 years.

**b) Capital commitments**

Amounts committed relating to projects under construction at 31 December 2021 was approximately \$162.8 million (2020: \$102.9 million).

**c) Contingent liabilities**

The Board of Inland Revenue has conducted audits in respect of fiscal years 2009, 2010, 2011, 2012, 2013, 2014 and 2015 and has raised assessments on withholding tax totalling TT\$128.5 million. The 2014 and 2015 tax assessments are under objection. The years 2009–2013 is before the Tax Appeal Board. Until the other matters are determined, the assessments raised are not considered final.

No material unrecorded additional liabilities are expected to crystallise.

Yara Trinidad Limited (Managers of Tringen) has various legal matters pending in the Industrial Court of the Republic of Trinidad and Tobago. The Company is not a named defendant in these cases. No provision was recorded in the financial statements as a realistic probable outcome cannot be determined at present.

**17. Going concern**

On 11 May 2021, the Company signed a 3-year contract with NGC from 1 January 2021 to 31 December 2023 for the supply of natural gas. Accordingly, the Company has been able to secure a steady longer-term contract for the supply of its natural gas feedstock. On this basis, the Directors have maintained the going concern assumption in the preparation of these financial statements.

**18. Events after the reporting period**

The Company has evaluated all events subsequent to the year end date of 31 December 2021 inclusive of events related to the COVID-19 pandemic through the date of issuance of these financial statements and has determined that there are no subsequent events that require disclosure.

**About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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